

Conditions of Sale

All of the sales are arm's-length transactions between knowledgeable buyers and sellers; however, Sale 5 was a quick sale including tax incentives. The remaining sales had typical market motivations. As noted above, there was some question as to whether Sale 4 was a market-rate transaction at the time, because Granite was to remain in the deal as a contract builder. However, those doubts were erased by the subsequent sale of other lots in the same project to McKinley Capital at the same price. Furthermore, while Granite is under pressure from its lender, the lots were widely marketed and people close to the deals said these were the highest prices they could get in today's market. Therefore, no conditions of sale adjustments have been made to these sales.

Sale 5 was a quick sale in which the seller was motivated to close escrow by year-end for tax reasons. As a result, the property had only limited exposure to the market. After adjusting for the other elements of comparison below, an upward adjustment of \$5,000 is indicated for the unusual conditions of sale.

Sale Date/Market Conditions

This adjustment is sometimes referred to as a time of sale adjustment and is used to reflect any appreciation or depreciation in value over time. While the passage of time is not the cause of the adjustment, the market conditions may shift over time and create a need for an adjustment. Generally, since the time the comparables sales transacted, values may have appreciated or depreciated due to inflation and deflation and/or investors perceptions of market conditions may have changed.

Sales 1 through 6 reflect relatively recent sales while Sales 7, 8 and 9 are dated transactions. Sales 1 through 4 reflect sales dates between March and May 2008 and required no adjustment for this item. However, as evidenced from both the information presented in the Housing Market Overview and above that market conditions have deteriorated significantly over the past year. Pairing the finished lot cost of Sale 6 with the finished lot costs of Sales 1 through 4, after accounting for location indicates a downward time adjustment of approximately 20% for having closed in November 2007. We have applied a similar adjustment to Sale 5.

Sales 7, 8 and 9 reflect older dates of sale occurring in early to mid 2006. According to information obtained from Park Place Partners, a local residential land brokerage firm, finished lot values have declined in excess of 40% in the subject market area over the past two years. We feel that the indicated decline is appropriate based upon purchase prices being negotiated for bulk lot purchases as well as the decline in home prices over the past two years.

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We have included a 45% downward time of sale adjustment to Sales 7, 8 and 9.

Location

The subject property and Sales 1 and 2 are located in the Temecula area of Riverside County while the remaining comparable sales are located in Menifee, Moreno Valley, Winchester, Woodcrest, Romoland and Hemet. Menifee, Moreno Valley, Winchester, Hemet and Romoland are considered inferior to Temecula while Woodcrest is superior.

In order to adjust for differences in location we have reviewed average overall pricing and average per square foot pricing in each area as compiled by DataQuick, a real estate research firm and published in the Los Angeles Times. We have also reviewed averaging pricing for each area as published within Residential Trends. We have additionally paired Sales 3 through 6 after accounting for time of sale and lot size with Sales 1 and 2.

After an analysis of pricing in the various areas and our paired analysis, we have made upward adjustments of 30% for Menifee, Moreno Valley, Winchester and Romoland. An upward adjustment of 40% was made to Sale 9 for its inferior Hemet location. A downward adjustment of 20% was made to Sale 7 for its superior Woodcrest location.

Lot Size

Minimum lot sizes for Comparable Sales 1 through 6 ranges from 5,000 square feet to 7,200 square feet, compared with 3,150 to 6,000 square feet for the subject Planning Areas 14, 16, 18 and 23. We have used the *minimum*, rather than the *average* lot size in our analysis; builders tend to focus on the minimum size because it dictates the size and shape of the homes they can build. The impact of lot size differences on value has declined over the past year as homebuilders focus increasingly on value and affordability. We have reflected this trend by using an adjustment of just \$2.50 per square foot for lot size differences in our analyses of Planning Areas 14, 16, 18 and 23.

Planning Area 20 is comprised of 21,780-square foot minimum size lots. Sales 7, 8 and 9 were utilized in this analysis and reflect minimum lot sizes ranging from 20,000 to 43,560 square feet. Sale 7 has minimum one acre lots while Sales 8 and 9 have minimum half acre lots. While larger lots are typically more desirable than smaller lots, in this market, it is easier to sell smaller, less expensive homes and builders are reluctant to place a premium on larger lots, especially since a half acre lot can easily accommodate the same size home. We have therefore made only a small qualitative downward adjustment of \$10,000 to Sale 7 for its larger lots.

Lot Premiums

The subject is situated in an area of undulating terrain similar to the comparable land sales. Additionally, the subject is considered to have similar lot premium potential for oversized, corner and cul-de-sac lots as the comparable sales. We have not included an adjustment for this item.

Tract Size (Number of Lots)

The comparables involve tracts containing from 44 to 379 lots, while the subject planning areas contain 24 to 164 lots. In our experience, few buyers discount tracts of 150 lots or less, and only Sale 6 (with 379 lots) is large enough to require adjustment. Pairing Sale 6 with Sales 1 through 5 indicates an adjustment of \$5,000 per lot is warranted.

Conclusions

Table 10A reflects adjustments for the 3,150-square foot lots (Planning Area 14). The six sales presented reflect prices ranging from \$73,000 to \$91,000 per finished lot. All six sales include lots larger than the subject lots requiring downward adjustment. Sales 3 through 6 required upward location adjustments. Sales 5 and 6 also required downward time of sale adjustments. Sales 1 and 2 represent recent bulk lot sales within the subject Roripaugh Ranch community and are given greatest weight in this analysis.

After adjustments, the sales indicate a value range from \$84,775 to \$87,635 per finished lot. Giving most weight to Sales 1 and 2 we have concluded with an estimated finished lot value of \$86,500 for the 3,150-square foot subject lots.

Table 10B reflects adjustments for the 4,000-square foot lots (Planning Area 23). Sales 1 through 6 were presented in our analysis of the Planning Area 23 and include lot sizes ranging from 5,000 to 7,200 square feet with finished lot prices ranging from \$73,000 to \$91,000. As with the prior analysis, all of the comparable sales required downward adjustments for lot size. Sales 3 through 6 were adjusted upwards for location. Sales 5 and 6 were adjusted downward for time of sale. After adjustments for market conditions, location and lot size the indicated finished lot value range for Planning Area 23 was from \$86,900 to \$89,760 per finished lot. Giving most consideration to Sales 1 and 2, we have concluded with an estimated finished lot value of \$88,500 for the 4,000-square foot subject lots.

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Table 10C reflects adjustments for Planning Area 16 which is comprised of 5,000-square foot lots. Sales 1 through 6 were presented in our analysis of Planning Area 16 and reflect lot sizes ranging from 5,000 to 7,200 square feet with finished lot prices ranging from \$73,000 to \$91,000. Sales 1 and 2 represent bulk lot sales of similar size lots while Sales 3 through 6 include larger lots when compared to Planning Area 16. Similar adjustments have been made for location and time of sale as the previous analyses. Giving most weight to Sales 1 and 2, we have estimated a value of **\$91,000** per finished lot for Planning Area 16 utilizing the sales comparison approach.

The same six sales have been utilized in our analysis of Planning Area 18 (6,000-square foot lots). The comparable sales include minimum lot sizes ranging from 5,000 and 7,200 square feet. Sales 1 and 2 represent smaller lots in comparison to Planning Area 18 while Sales 3 through 6 feature larger lots. Sales 3 through 6 required upward location adjustments. Sales 5 and 6 required downward time of sale adjustments. Giving most consideration to sales 1 and 2, we have concluded with an estimated value of **\$93,500** for the 6,000-square foot subject lots. The analysis for Planning Area 18 is summarized in Table 10D.

Table 10E reflects adjustments for Planning Area 20 which is comprised of 21,780-square foot lots. Sales 7 through 9 were presented in our analysis of the 21,780-square foot lots and reflect lot sizes ranging from 20,000 to 43,560 square feet with finished lot prices ranging from \$165,000 to \$335,000. Sales 8 and 9 represent sales of similar size lots when compared to Planning Area 20 while Sale 7 consists of larger lots. All three sales required downward time of sale adjustments. Sale 7 required a downward location adjustment while Sales 8 and 9 required upward location adjustments. After adjustments for market conditions, location and size the indicated finished lot value range for Planning Area 20 was from \$127,000 to \$156,000. Giving consideration to all three sales, we have estimated a finished lot of **\$150,000** per finished lot for Planning Area 20 under the sales comparison approach.

The sales comparison approach adjustments are summarized in the previous Tables 10A through 10E, and resulted in the following rounded finished lot value indications:

Planning Area	Lot Size (SF)	No. of Lots	Value/Lot
14	3,150	77	\$86,500
23	4,000	51	\$88,500
16	5,000	121	\$91,000
18	6,000	121	\$93,500
20	21,780	29	\$150,000

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DEVELOPMENTAL APPROACH

We have employed the Developmental Approach as an alternative way of valuing the individual subject planning areas. Again, each planning area was valued assuming completion to a finished lot status. In the Developmental Approach, sale prices and absorption rates are estimated for the homes likely to be built within the development. From the gross sale revenues, all hard and soft construction and sale costs are deducted. The resulting cash flows are then discounted to a present value that is indicative of the price a builder would pay for the lots in bulk.

We have estimated a value for each lot size category and selected Planning Areas 14, 16, 18, 20 and 24 utilizing the Developmental Approach. These values are then compared to the values estimated in the Sales Comparison Approach, and the estimates are reconciled.

The first step in this approach is to derive reasonable estimates of the sizes and prices of the homes to be built within each planning area. The borrower is a master developer and proposes to complete the subject lots to a blue-topped condition then sell the lots to merchant homebuilders. We have assumed that the merchant builders will construct homes consistent with current offerings in the Temecula and surrounding Southwest Riverside County market area and believed to represent the highest and best use of the subject lots. Retail values for the homes are estimated based on the results of our survey, presented below. Home construction, marketing/sales, and carrying costs have been estimated using budgets and proformas of other projects in the area that we have recently appraised.

The comparable project data is summarized in the previous Table 7 and is organized by project. The projects are discussed briefly below, and a picture of each is included in the Addenda.

Comparable Projects

All of the projects discussed below are located in the subject's Temecula and surrounding Southwest Riverside County market area.

Project Number 1 - Charleston: This project is situated approximately four miles southwest of the subject within the Harveston planned community. Meritage Homes opened this 106-home development in January 2006. To date, 86 homes have been released with 78 homes sold reflecting an absorption rate of 3.4 home sales per month.

Four floor plans are offered with 2-car attached garage as standard. The minimum lot size for this project is 4,000 square feet. The floor plans range in size from 1,780 to 2,181 square feet with base prices ranging from \$300,440 to \$352,360. Based upon previous surveys home prices

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within Charleston have declined approximately 30%, plus Meritage Homes is now offering a \$30,000 incentive towards closing costs and upgrades. Effective base prices have been estimated to range from \$270,440 to \$322,360. Lot premiums were reported to range from \$2,000 to \$20,000. This project has an effective tax rate of approximately 1.9%. HOA fees are \$137 per home per month.

Project 2 refers to *Stratford* by Centex Homes, a 106-unit development located along Primrose Avenue, east of Pechanga Parkway in the Redhawk community approximately eight miles southwest of the subject. Stratford features four plans ranging in living area from 2,204 to 2,750 square feet situated on minimum lots of 4,500 square feet. Current base prices range from \$337,990 to \$366,990. The developer offers up to \$10,000 in closing costs as an incentive to purchase a home. According to the sales agent, pre-marketing began in a sales trailer several months ago; however, the developer was not aggressively marketing the project. There was no advertising and minimal signage identifying the development. The agent reported that a typical marketing effort began in August 2007 and 31 homes have sold. The effective tax rate is anticipated to be approximately 1.4%. Lot premiums were reported to be minimal.

Project 3, Cottonwood, is a 133-unit development by Standard Pacific Homes and is located east of Pechanga Parkway, south of Wolf Valley Road, approximately seven and one-half miles southwest of the subject in the Wolf Creek community. Cottonwood offers three plans measuring 2,517 to 3,024 square feet on minimum lots of 5,500 square feet. Base prices range from \$363,835 to \$409,330, with up to \$65,000 in incentives offered towards closing costs and upgrades. The sales agent reported small lot premiums, generally less than \$10,000. To date, 91 of the 133 proposed homes have sold. The effective tax rate is approximately 1.7%.

Project 4 refers to *Hemingway* by Centex Homes, located along Anza Road, east of Peppercorn Drive in the Redhawk community approximately seven miles southwest of the subject. Hemingway includes 108 homes of which 45 have sold since August 2007. The project features four plans ranging in living area from 2,916 to 3,393 square feet situated on minimum size lots of 5,000 square feet. Current base prices range from \$410,990 to \$440,990. The developer offers up to \$10,000 in closing costs as an incentive to purchase a home. The effective tax rate is anticipated to be approximately 1.4%. Lot premiums generally range up to \$40,000 for golf course and city views.

Project 5 refers to *Sycamore*, a 126-unit development by Woodside Homes located east of Pechanga Parkway, south of Wolf Valley Road seven and one-half miles southwest of the subject in the Wolf Creek community. The builder offers three plans ranging in size from 2,882 to 3,133 square feet on minimum lots of 5,500 square feet. Current base prices range from \$394,990 to \$425,790. The developer offers up to \$40,000 towards closing costs and upgrades as an incentive to buy a home.

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The project has registered 37 sales since opening in November 2006. Lot premiums are generally around \$5,000. The effective tax rate is about 1.7%.

Project 6 refers to *Ironwood*, a 133-home project by Woodside Homes located within the Wolf Creek community along Wolf Creek Drive, south of Wolf Valley Road about seven and one-half miles southwest of the subject. Ironwood offers three floor plans containing 2,898 to 3,293 square feet of living area. The minimum lot size is 6,500 square feet. Base prices range from \$417,990 to \$445,990 with the developer offering \$45,000 in incentives. This project opened in July 2006 and 44 homes have sold. Lot premiums were not reported. The effective tax rate is approximately 1.7% and HOA fees are \$44 per home per month.

Project 7 refers to *Stonebriar*, a Standard Pacific Homes development located along Wolf Creek Drive, south of Wolf Valley Road seven and one-half miles southwest of the subject in the Wolf Creek community. The builder offers three plans ranging in size from 2,928 to 3,605 square feet on minimum lots of 7,000 square feet. Current base prices range from \$401,111 to \$468,511. The developer offers up to \$15,000 for closing costs as an incentive to buy a home plus all available homes include \$18,000 in upgraded flooring. The project has registered 55 sales since opening in September 2006. Lot premiums were not reported. The effective tax rate is about 1.8% while HOA fees are \$43 per home per month.

Project 8 refers to *Ruffino*, a 131-home McMillin Home project situated in the Morgan Hill community approximately five and one-half miles south of the subject along Butterfield Stage Road, south of Morgan Hill Drive. The project offers homes ranging in size from 2,774 to 3,650 square feet on 7,000-square foot lots. The effective tax rate is 1.8% with HOA fees of \$92 per home per month. Since opening in September 2005, McMillin Homes has sold 71 homes within the Ruffino development. Current base prices range from \$424,990 to \$481,990, with \$10,000 towards closing cost and upgrades incentive.

Project 9 refers to *Valdemosa*, a KB Home project located along Murrieta Home Springs Road, west of Pourroy Road, just west of the subject. Valdemosa offers three plans measuring 2,675 to 3,586 square feet on minimum lots of 8,500 square feet. Base prices currently range from \$329,990 to \$409,990, with a \$10,000 incentive offered towards closing costs. Lot premiums range up to about \$15,000. To date, 75 of the 79 homes have sold. The effective tax rate is approximately 1.7%. HOA fees associated with this development were reported at \$77 per home per month.

Project 10 refers to *Redwood*, which is located within the Wolf Creek community along Wolf Creek Drive, south of Wolf Valley Road about seven and one-half miles southwest of the subject. This 159-home Standard Pacific Homes development offers four floor plans containing 3,322 to

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4,519 square feet of living area. The minimum lot size is 8,000 square feet. Base prices range from \$556,900 to \$610,900 with the developer offering \$65,000 to \$85,000 in incentives. This project opened in February 2006 and 59 homes have sold. Lot premiums were not reported. The effective tax rate is approximately 1.8% and HOA fees are \$43 per home per month.

Project 11 refers to *The Ranches II*, a Wesco Homes project located approximately 10 miles northwest of the subject along Wesley Street, northeast of Palomar Street in the community of Wildomar. Wesco Homes began marketing this 26-home project in May 2006. To date, 23 homes have been sold indicating absorption for this project is 1.0 home sale per month.

This project originally included six floor plans with one and two-story designs ranging in living area from 2,617 to 3,827 square feet. The homes are constructed on 20,000-square foot minimum size lots and included 3 & 4-car garages as standard. There are currently only two production homes remaining and one model home. Asking prices for the two remaining homes were \$559,990 and \$569,990 with incentives of \$20,000 being offered. The sale agent reported that the developer is now accepting offers on the remaining homes and anticipates selling prices of \$450,000 and \$500,000. The effective tax rate is approximately 1.1%. The HOA fees for homes within this project are \$61 per home per month.

The sale agent reported that *The Ranches II* originally included 33 lots and the developer has discontinued construction. Two of the remaining vacant lots have been recently sold for \$150,000 and \$175,000.

Project 12 refers to *Gallery Oaks*, a 32-home Gallery Homes project situated in Menifee approximately eight miles northwest of the subject along Murrieta Road, north of Scott Road. Gallery Homes opened this 32-home development in July 2007. To date, only three homes have sold reflecting an absorption rate of 0.3 sales per month.

Three floor plans are offered with 3 & 4-car attached garages as standard. The minimum lot size for this project is 43,560 square feet. The floor plans range in living area from 3,154 to 4,240 square feet with base prices ranging from \$529,990 to \$629,990. The sales agent reported incentives averaging approximately \$40,000. This project has an effective tax rate of approximately 1.2% plus HOA fees of \$65 per home per month.

Project 13 refers to *Calder Ranch*, a Capital Pacific Homes project located approximately eight miles northwest of the subject at the southwest corner of Murrieta and Craig Roads. Capital Pacific Homes opened this 70-home project in December 2007. At the time of our survey 17 homes had been released with 10 homes being sold. The indicated absorption rate is 2.0 sales per month.

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Four floor plans are offered ranging in living area from 2,986 to 4,247 square feet. The homes are situated on 1-acre lots and include three and four-car attached garages as standard. The reported base prices range from \$564,990 to \$654,990. The sales agent would not disclose incentives currently being offered or discuss premiums. This project has an effective tax rate of approximately 1.7% plus an HOA fee of \$137 per home per month.

Market Survey Summary And Conclusions

The projects surveyed offer wide range in new housing product types including entry level, various levels of move-up housing. Homes in the general market area range in price from the high \$200,000s price for an entry level home to the mid-\$600,000s for a move-up home. Entry-level homes generally range in living area from 1,800 to 2,400 square feet and reflect effective base prices ranging from \$270,440 to \$332,990. Move-up homes range in living area from approximately 2,500 to 4,500 square feet with effective base prices ranging from \$298,835 to \$654,990.

Average Unit Size

The subject planning areas are anticipated to be developed with various product types ranging from entry level to high-end move-up home development. The following paragraphs analyze the product currently being offered and what we feel is the most likely product type to be developed within each planning area.

Entry-level housing is offered within Projects 1 and 2. All four floor plans offered within Project 1 could be classified as entry-level while Plans 1 and 2 within Project 2 can be classified as entry-level. Entry-level detached housing typically consists of two-story homes containing three to four bedrooms on lots of 4,500 square feet or less. The unit size distribution for the entry-level housing projects presented is summarized in the following table.

Unit Size	No. Units	% Units
<2,000 SF	2	33.3%
2,000 - 2,250 SF	3	50.0%
> 2,250 SF	1	16.7%
Total	6	100%

As the table reflects, almost 85% of the entry-level homes are smaller than 2,250 square feet and only about 15% are larger than 2,250 square feet. The average entry-level home size is approximately 2,079 square feet. Based upon the average home size and the high percentage of offered product being less than 2,250-square foot size range, we have estimated an average home

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size of 1,850 square feet for Planning Area 14. Because of Planning Area 23's larger minimum lot size of 4,000 square feet in comparison to Planning Area 14's 3,150-square foot lots we have estimated a larger home size of 2,200 square feet.

Projects 4 through 10 offer detached housing considered most likely for Planning Areas 16 and 18. These projects offer homes targeted towards low to mid-level move-up buyers. Projects 2 through 5 represent low-level move-up homes on 5,000 and 5,500-square foot lots. Projects 6 through 8 offer mid-level move-up homes situated on 6,000 and 7,200 square foot lots. The unit size distribution for Projects 3 through 8 is summarized in the following table.

Unit Size	No. Units	% Units
<2,750	2	9.5%
2,750 - 2,999 SF	8	38.1%
3,000 - 3,249 SF	4	19.0%
3,250 - 3,500 SF	5	23.8%
> 3,500 SF	2	9.5%
Total	21	99.9%

As the table reflects, 81% of the low to mid-level move-up homes range in size from 2,750 to 3,500 square feet of living area. The average unit size is approximately 3,066 square feet generally consisting of two-story designs with three to five bedrooms. Based upon the average unit size for Projects 2 through 5, we have estimated an average unit size of 2,950 square feet for Planning Area 16. Because of Planning Area 18's larger lot size of 6,000 square feet in comparison to Planning Area 16's 5,000-square foot lots we have estimated a larger home size of 3,200 square feet.

Projects 11 through 13 offer high end move-up homes consistent with the product most likely intended for Planning Area 20. These projects offer detached homes on minimum lot sizes ranging from one-half to one acre. The unit size distribution for Projects 11 through 13 is summarized in the following table.

Unit Size	No. Units	% Units
<3,000 SF	2	22.2%
3,000 - 3,499 SF	4	44.4%
3,500 - 4,000 SF	1	11.1%
> 4,000 SF	2	22.2%
Total	9	99.9%

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As the table reflects about 55% of the homes range between 3,000 and 4,000 square feet while 22% are less than 3,000 square feet and 22% are larger than 4,000 square feet. The average home size is approximately 3,481 square feet. We have estimated an average home size of 3,500 square feet for Planning Area 20.

Average Base Price

As indicated above, entry-level housing generally sells at prices between \$270,000 and \$335,000, or \$143 to \$157 per square foot of living area. Only Project 1 offers homes of less than 2,000 square feet with prices ranging from about \$270,000 to \$303,000, or \$152 to \$157 per square foot of living area. Assuming an average home size of approximately 1,850 square feet, we have estimated an average effective home price of \$290,000 for Planning Area 14, including premiums.

Projects 1 and 2 offer homes of approximately 2,200 square feet with prices ranging from about \$322,000 to \$328,000, or \$148 to \$149 per square foot of living area. Assuming an average unit size of approximately 2,200 square feet, we have estimated an average effective home price of \$330,000 for Planning Area 24, including premiums.

Projects 3 through 8 offer detached housing considered most likely for Planning Area 16 with home prices ranging from about \$300,000 to \$472,000, or \$114 to \$150 per square foot of living area. Projects 3, 4 and 5 are considered most similar, offering homes on similar size lots. Project 3 offers a 3,024 square foot home at an effective base price of \$114 per square foot while Project 4 offers a home of 2,916 square feet at an effective base price of \$138 per square foot. Project 5 offers a 2,937-square foot home for an effective price of \$126 per square foot. We feel an average price of \$397,500, including premiums, is reasonable for the anticipated homes within Planning Area 16.

Planning Area 18 is anticipated to be developed with homes averaging approximately 3,200 square feet. Project 6 offers a floor plan of 3,293 square feet with effective base price of approximately \$400,000, or \$122 per square foot of living area. Projects 7 and 8 offer homes of 3,357 and 3,311 square feet, respectively. Effective base prices for these homes are \$431,000 and \$438,000, respectively reflecting prices of \$128 and \$135 per square foot. We have estimated an average price of \$425,000 for Planning Area 18.

Projects 11 through 12 are considered to offer detached housing consistent with the product most likely intended for Planning Area 20. These projects offer detached homes with effective base prices ranging from \$490,000 to \$655,000, or \$139 to \$190 per square foot of living area. We

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have assumed an average home size of approximately 3,500 square feet for Planning Area 20. Projects 12 and 13 offer floor plans relatively similar in size with prices ranging from \$520,000 to \$565,000, or \$154 to \$162 per square foot of living area. Planning Area 20 consists of minimum half acre lots similar to Project 12 while Project 13 features one-acre lots. Giving more weight to Project 12 because of the more similar lot size, we have estimated a price of \$550,000 for Planning Area 20, including premiums.

Other Model Assumptions

Besides the average home sizes and values estimated above, other assumptions underlying the Developmental Approach are summarized below:

Months/Period: 3, indicating a quarter-by-quarter analysis

First Closings: Build times for entry-level and low/mid-level move-up homes similar to those anticipated for Planning Areas 14, 16, 18 and 23 are typically 5 to 6 months. Therefore, we have anticipated delivery within these projects in the second period of our developmental analyses. High-end move-up homes generally require 6 to 9 months construction and we have scheduled the first delivery within Planning Area 20 in the third quarter.

Pre-Sales: These are units that sell while the first homes are still under construction and close immediately upon completion. We have assumed pre-sales equal to two months' sales.

Absorption: Absorption rates at the projects surveyed are included within Table 7 and reflect absorption rates ranging from 0.3 to 4.0 sales per project per month. Generally speaking homes targeted towards entry level buyers are achieving the strongest absorption rates. We have assumed absorption rates of 3.0 sales per month for the entry level, low end move-up and mid-range move-up homes (Planning Areas 14, 16 and 23). An absorption rate of 2.0 sales per month was used for Planning Area 18 while an absorption rate of 1.0 sale per month was assumed for Planning Area 20.

(Note: the absorption rates presented in Table 7 are *sales* rates, not closing rates. Sales rates are used as a proxy for closing rates in our analysis because they are less prone to sharp fluctuations over time. In the long run, a project's sales rate and closing rate will converge.)

Total Units: The number of lots utilized within each analysis is consistent with the information provided by the developer.

Average Sale Price: As estimated above

Annual Appreciation: We have not included appreciation as pricing has seemed to stabilize in the subject market area.

Marketing and Sales: This category includes advertising, model upgrades, model and sales office maintenance, sales commissions, and closing costs. The market range generally varies from 5.0% to 7.0% of sales revenues, and depends largely on the number of units, the level of advertising, and the market position of the homes. (All else being equal, more expensive homes tend to require larger marketing budgets.) The subject is a mid-sized project targeting the middle market, and should experience a mid-range expense. We have estimated a marketing and sales expense equal to 6.0% of sales revenues.

General and Administrative: This item, often described as "overhead" or a management fee, ranges from 2.5% to 4.0% of sales revenues, with 3.0% being the most common expense. We have used this amount in the model.

Tax Rate: We have used an effective tax rate of 2.0%, which is based upon discussions with the master developer.

Additional Assessments/Unit: As discussed in the Taxes and Assessments section, the developer is proposing a CFD; however, details of the bond issue have not been finalized. Therefore, the above tax rate includes the anticipated special assessments for the CFD.

Model Lease Payments: None (The model units are assumed to be owned, not leased.)

Homeowners' Association Fee (HOA): We have estimated a homeowner's association of \$125 per home per month.

Average Units Per Phase: This input is set to equal 8 homes per phase.

Total Site Costs: Zero, for the single-family planning areas, as these analyses assume finished lots to begin with.

Total Construction Costs: The subject Neighborhoods are anticipated to be developed with a wide array of housing types including entry-level to luxury executive homes. The developer has not provided home construction costs. We have estimated construction costs for each product type based upon construction costs for similar. Construction costs,

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including direct and indirect expenses for new housing tracts in the Southern California area we have recently appraised are summarized below:

Project No.*	Location	Product Type	Avg. Home Size	Cost/SF
1	Chula Vista	SFR	1,698	\$75.63
2	Wildomar	SFR	2,334	\$63.47
3	Temecula	SFR	2,434	\$66.56
4	Wildomar	SFR	3,024	\$57.81
5	Wildomar	SFR	3,455	\$58.33
6	Menifee	SFR	3,551	\$77.02
7	Menifee	SFR	3,786	\$78.84
8	Murrieta	SFR	4,353	\$73.00
* Supplemental information not related to project numbers discussed in Market Overview				

The comparable projects presented above generally indicate a direct and indirect cost estimate of \$58 to \$76 per square foot of living area for entry level to move-up homes. We have assumed a hypothetical average home size of 1,850 square feet for Planning Area 14. Based upon the comparables, we have estimated an average cost of \$70.00 per square foot resulting in an overall construction cost estimate of \$9,970,000 for Planning Area 14.

Planning Area 23 is anticipated for development with homes averaging about 2,200 square feet. We have estimated a construction cost of \$70.00 per square foot of living area resulting in an overall cost estimate of \$10,545,000 (rounded) for Planning Area 23. Planning Areas 16 and 18 are anticipated for development with detached homes averaging 2,950 and 3,200 square feet, respectively. We have estimated construction costs of \$62.50 and \$60.00 per square foot, or \$22,310,000 (rounded) and \$23,230,000, respectively.

Planning Area 20 will most likely be developed with high-end move-up homes. Construction Cost Comparables 6, 7 and 8 represent luxury homes reflecting construction costs ranging from \$73 to \$79 per square foot of living area. We have assumed a construction cost less than luxury homes but above other homes similar in size. We have used a cost of \$65 per square foot of living area, or \$6,600,000 for Planning Area 20.

Annual Cost Inflation: We have not included inflation in this analysis.

Loan Parameters: We have assumed unleveraged cash flows.

Developer's Profit: In projects the size of the subject, and at current low home sales rates, the IRR requirement, and not the gross profit margin, effectively determines how much, a buyer will pay for the lots. We have therefore used a single-rate model, with builder profit reflected entirely in the discount rate, discussed below.

Discount Rate: The net cash flows in the developmental model are discounted to provide a required rate of return to the builder. To estimate an appropriate yield rate, we consulted builders and equity partners active in the local market, as well as published surveys. This information is summarized in the following table:

No.	Firm	Contact Person	Gross Margin	Unleveraged Yields
1	Standard Pacific	Susan Rook	14-15%	High teens to mid 20%
2	RealtyRates.com™ - California	(Web site)	—	21%
3	RealtyRates.com™ - National	(Web site)	—	25%
4	WestReef	Tad Springer	—	—
5	Lennar	Brian Cresap	—	Mid-20%
6	Institutional Housing Partners	Blaine Peterson	12%	22%-25%
7	Korpacz Investor Survey*	(Publication)	—	18%*
8	Trimark Pacific	Lawrence Trevino	12%	—
9	O'Donnell-Atkins	Steve Jones	12%	—
10	Park Place Partners	Randy Coe	14%	22%

*Includes residential, commercial, and industrial developers.

Unleveraged proforma yield rates range from the high teens to the mid-20%. These are up from 2005, when many respondents reported acceptable rates of return in the mid-to-high teens. This is due partly to general increases in interest rates, but mostly to changing perceptions about the risk of developing housing in the current market. The subject is located in Temecula, which has been hit hard by the housing market slowdown. At the same time, the average sale price and sales rate used in the model are considered realistic for the present market. Considering both market-wide and project-specific influences, we have adopted an annual discount rate of 20% for purposes of our analysis.

Value For Tax Assessment: For the purpose of estimating taxes during the development period, we have assumed that the lots would be purchased and assessed at the value indicated by the analysis, per Proposition 13.

Construction Costs per Period: We have assumed construction periods consistent with the sell-off periods, allowing a lag between the final stage of construction and the last units being sold.

*Michael Frauenthal & Associates, Inc.**Appraisal of Roripaugh Ranch, Phase II, Temecula, CA*

The developmental analyses are contained in the following *Tables 11A through 11E*, and resulted in the following rounded finished lot value indications:

Planning Area	Lot Size (SF)	No. of Lots	Value/Lot
14	3,150	77	\$93,000
23	4,000	51	\$104,000
16	5,000	121	\$109,000
18	6,000	121	\$97,000
20	21,780	29	\$170,000

Finished Site Value Reconciliation

We have estimated the finished lot value of each lot category under the Sales Comparison and Developmental Approach. The two approaches result in the following finished lot value indications:

Planning Area	Lot Size (SF)	Sales Comparison	Developmental
14	3,150	\$86,500	\$93,000
23	4,000	\$88,500	\$104,000
16	5,000	\$91,000	\$109,000
18	6,000	\$93,500	\$97,000
20	21,780	\$150,000	\$170,000

In the Sales Comparison Approach, we valued the lots by comparing them with recent sales in the area. Applying adjustments for a relatively small number of items, including sale date/market conditions, location, and lot size, greatly narrowed the range in values. The sales used in this approach are recent and comparable, and the resulting value indications are considered reliable.

For the Developmental Approach, we surveyed new housing projects in the subject Temecula and surrounding market area. For each project, we estimated the average base price, and sales rate for the proposed homes, based on an analysis of the homes currently being sold in the area. Lot premiums were included, yielding an average sale price for each project. We additionally estimated home construction costs on comparable projects in the area.

Other model assumptions, including carry costs, profit requirements and financing, were based on data in our files from other projects we have appraised and on information gathered by our firm. Sufficient information was obtained from these sources to provide credible value indications for the subject property under the Developmental Approach.

TABLE 11A
DEVELOPMENTAL APPROACH ASSUMPTIONS & CONCLUSIONS
RORIPAUGH RANCH, PHASE II
Planning Area 14 (3,150 SF)

Months Per Period	3	Development Costs Per Period		
Closings Begin Period...	2			
Presales	6.0	<u>Period</u>	<u>Site Costs</u>	<u>Construction</u>
Absorption (Units/Month)	3.0	1	0.00%	11.11%
Total Units	77	2	0.00%	11.11%
Average Sale Price	\$290,000	3	0.00%	11.11%
Annual Appreciation	0.00%	4	0.00%	11.11%
Beginning Period	1	5	0.00%	11.11%
Sales & Marketing	6.00%	6	0.00%	11.11%
General & Administrative	3.00%	7	0.00%	11.11%
Tax Rate	2.00000%	8	0.00%	11.11%
Additional Assesmts./Unit/Yr.	\$0	9	0.00%	11.11%
HOA Fee (Per unit/mo.)	\$125	10	0.00%	0.00%
Average Units/Phase	8	11	0.00%	0.00%
Site Costs (Current \$)	\$0	12	0.00%	0.00%
Construction Costs (Current \$)	\$9,970,000	13	0.00%	0.00%
Annual Cost Inflation	0.00%	14	0.00%	0.00%
Beginning Period	1	15	0.00%	0.00%
Maximum Loan (% Cost)	0.00%	16	0.00%	0.00%
Land Draw	\$0	17	0.00%	0.00%
Loan Interest Rate	0.00%	18	0.00%	0.00%
Points	0.00%	19	0.00%	0.00%
Loan Payback Rate	0.00%	20	0.00%	0.00%
Builder Profit	0.00%	Total	0.00%	100.00%
Discount Rate	20.00%			
Value For Tax Assessment	\$7,130,000	Concluded Value (R)	\$7,130,000	
		Concluded Value/Unit(R)	\$93,000	
Loan to Cost Ratio (Excl. Land)	0%			
Loan to Value Ratio	0%	IRR at Concluded Value	20.0%	

TABLE 11A RORIPAUGH RANCH, PHASE II (CONTINUED)												
Quarter	0	1	2	3	4	5	6	7	8	9	10	Total
Units Sold	0.0	0.0	6.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0	8.0	77
Total Units Sold	0.0	0.0	6.0	15.0	24.0	33.0	42.0	51.0	60.0	69.0	77.0	
Remaining Inventory	77.0	77.0	71.0	62.0	53.0	44.0	35.0	26.0	17.0	8.0	0.0	
Average Sale Price	0	0	290,000	290,000	290,000	290,000	290,000	290,000	290,000	290,000	290,000	\$290,000
Gross Sales Revenue	\$0	\$0	\$1,740,000	\$2,610,000	\$2,610,000	\$2,610,000	\$2,610,000	\$2,610,000	\$2,610,000	\$2,610,000	\$2,320,000	\$22,330,000
Site Costs	0	0	0	0	0	0	0	0	0	0	0	0
Construction Costs	0	1,107,778	1,107,778	1,107,778	1,107,778	1,107,778	1,107,778	1,107,778	1,107,778	1,107,778	7,871	8,970,000
Real Estate Taxes/Unit/Period	0	35,650	35,650	28,705	24,538	20,371	1,500	1,500	1,500	1,500	3,704	217,604
HOA Fees/Unit/Period	0	0	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	13,500
Marketing & Sales	0	0	104,400	156,600	156,600	156,600	156,600	156,600	156,600	156,600	139,200	1,339,800
General & Administrative	0	0	52,200	78,300	78,300	78,300	78,300	78,300	78,300	78,300	68,600	689,900
Costs Excluding Financing & Profit	\$0	\$1,143,428	\$1,301,528	\$1,377,050	\$1,372,883	\$1,368,716	\$1,364,549	\$1,360,362	\$1,356,215	\$1,352,049	\$214,004	\$12,210,804
Cash Flow Before Financing & Profit	\$0	(\$1,143,428)	\$438,472	\$1,232,850	\$1,237,117	\$1,241,284	\$1,246,451	\$1,249,618	\$1,253,785	\$1,257,951	\$2,105,996	\$10,119,196
Loan Draw	0	0	0	0	0	0	0	0	0	0	0	0
Loan Payback (Calculations Below)	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flow Before Profit	\$0	(\$1,143,428)	\$438,472	\$1,232,850	\$1,237,117	\$1,241,284	\$1,246,451	\$1,249,618	\$1,253,785	\$1,257,951	\$2,105,996	\$10,119,196
Builder Profit	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash Flow	\$0	(\$1,143,428)	\$438,472	\$1,232,850	\$1,237,117	\$1,241,284	\$1,246,451	\$1,249,618	\$1,253,785	\$1,257,951	\$2,105,996	\$10,119,196
Discount Factor	1.00000	0.95238	0.90703	0.86384	0.82270	0.78353	0.74622	0.71088	0.67684	0.64461	0.61391	
Discounted Cash Flow	\$0	(\$1,088,979)	\$397,707	\$1,065,069	\$1,017,779	\$972,578	\$929,375	\$888,080	\$848,611	\$810,887	\$1,282,899	\$7,134,006
PV of Remaining Cash Flows	\$7,134,006	\$8,634,134	(\$438,472)	(\$1,232,850)	(\$1,237,117)	(\$1,241,284)	(\$1,246,451)	(\$1,249,618)	(\$1,253,785)	(\$1,257,951)	(\$2,105,996)	\$92,649 per lot
Loan Calculations												
Land Draw	0	0	0	0	0	0	0	0	0	0	0	\$0
Construction/Dev Loan Draw	0	0	0	0	0	0	0	0	0	0	0	\$0
Total Loan Draw	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mortgage Balance (Beg. of Period)	0	0	0	0	0	0	0	0	0	0	0	0
Interest Accrued	0	0	0	0	0	0	0	0	0	0	0	0
Loan Payback	0	0	0	0	0	0	0	0	0	0	0	\$0

TABLE 11B
DEVELOPMENTAL APPROACH ASSUMPTIONS & CONCLUSIONS
RORIPAUGH RANCH, PHASE II
Planning Area 24 (4,000 SF)

Months Per Period	3	Development Costs Per Period		
Closings Begin Period...	2			
Presales	6.0	<u>Period</u>	<u>Site Costs</u>	<u>Construction</u>
Absorption (Units/Month)	3.0	1	0.00%	11.11%
Total Units	71	2	0.00%	11.11%
Average Sale Price	\$330,000	3	0.00%	11.11%
Annual Appreciation	0.00%	4	0.00%	11.11%
Beginning Period	1	5	0.00%	11.11%
Sales & Marketing	6.00%	6	0.00%	11.11%
General & Administrative	3.00%	7	0.00%	11.11%
Tax Rate	2.00000%	8	0.00%	11.11%
Additional Assesmts./Unit/Yr.	\$0	9	0.00%	11.11%
HOA Fee (Per unit/mo.)	\$125	10	0.00%	0.00%
Average Units/Phase	8	11	0.00%	0.00%
Site Costs (Current \$)	\$0	12	0.00%	0.00%
Construction Costs (Current \$)	\$10,935,000	13	0.00%	0.00%
Annual Cost Inflation	0.00%	14	0.00%	0.00%
Beginning Period	1	15	0.00%	0.00%
Maximum Loan (% Cost)	0.00%	16	0.00%	0.00%
Land Draw	\$0	17	0.00%	0.00%
Loan Interest Rate	0.00%	18	0.00%	0.00%
Points	0.00%	19	0.00%	0.00%
Loan Payback Rate	0.00%	<u>20</u>	<u>0.00%</u>	<u>0.00%</u>
Builder Profit	0.00%	Total	0.00%	100.00%
Discount Rate	20.00%			
Value For Tax Assessment	\$7,360,000	Concluded Value (R)	\$7,360,000	
		Concluded Value/Unit(R)	\$104,000	
Loan to Cost Ratio (Excl. Land)	0%			
Loan to Value Ratio	0%	IRR at Concluded Value	20.0%	

TABLE 11B RORIPAUGH RANCH, PHASE II (CONTINUED)													
Quarter	1	2	3	4	5	6	7	8	9	10	Total		
Units Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Total Units Sold	0.0	0.0	15.0	24.0	33.0	42.0	51.0	60.0	69.0	71.0	71.0		
Remaining Inventory	71.0	65.0	65.0	47.0	30.0	29.0	20.0	11.0	2.0	0.0	0.0		
Average Sale Price	0	330,000	330,000	330,000	330,000	330,000	330,000	330,000	330,000	330,000	330,000		
Gross Sales Revenue	\$0	\$1,980,000	\$2,970,000	\$2,970,000	\$2,970,000	\$2,970,000	\$2,970,000	\$2,970,000	\$2,970,000	\$2,970,000	\$2,970,000		
Sale Costs	0	0	0	0	0	0	0	0	0	0	0		
Construction Costs	0	1,215,000	1,215,000	1,215,000	1,215,000	1,215,000	1,215,000	1,215,000	1,215,000	1,215,000	1,215,000		
Real Estate Taxes/Unit/Period	\$518	38,800	33,680	29,025	24,361	19,886	15,031	10,366	5,701	1,037	0		
HOA Fees/Unit/Period	\$375	0	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500		
Marketing & Sales	0	0	178,200	178,200	178,200	178,200	178,200	178,200	178,200	178,200	178,200		
General & Administrative	0	0	89,100	89,100	89,100	89,100	89,100	89,100	89,100	89,100	89,100		
Costs Excluding Financing & Profit	\$0	\$1,251,800	\$1,517,480	\$1,512,825	\$1,508,161	\$1,503,486	\$1,498,831	\$1,494,165	\$1,489,501	\$1,484,831	\$1,480,167		
Cash Flow Before Financing & Profit	\$0	\$549,500	\$1,452,510	\$1,457,175	\$1,461,839	\$1,466,504	\$1,471,169	\$1,475,834	\$1,480,499	\$1,485,163	\$1,489,827		
Loan Draw	0	0	0	0	0	0	0	0	0	0	0		
Loan Payback (Calculations Below)	0	0	0	0	0	0	0	0	0	0	0		
Cash Flow Before Profit	\$0	\$549,500	\$1,452,510	\$1,457,175	\$1,461,839	\$1,466,504	\$1,471,169	\$1,475,834	\$1,480,499	\$1,485,163	\$1,489,827		
Builder Profit	0	0	0	0	0	0	0	0	0	0	0		
Net Cash Flow	\$0	\$549,500	\$1,452,510	\$1,457,175	\$1,461,839	\$1,466,504	\$1,471,169	\$1,475,834	\$1,480,499	\$1,485,163	\$1,489,827		
Discount Factor	1.00000	0.95238	0.90703	0.86384	0.82270	0.78353	0.74622	0.71088	0.67884	0.64461	0.61351		
Discounted Cash Flow	\$0	\$518,182,180	\$1,264,733	\$1,198,821	\$1,145,388	\$1,094,328	\$1,045,532	\$998,992	\$954,343	\$910,619	\$867,732		
PV of Remaining Cash Flows	\$7,384,883	\$8,985,032	\$1,452,510	\$1,457,175	\$1,461,839	\$1,466,504	\$1,471,169	\$1,475,834	\$1,480,499	\$1,485,163	\$1,489,827		
Loan Calculations													
Land Draw	0	0	0	0	0	0	0	0	0	0	0		
Construction/Dev/Loan Draw	0	0	0	0	0	0	0	0	0	0	0		
Total Loan Draw	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0		
Mortgage Balance (Beg. of Period)	0	0	0	0	0	0	0	0	0	0	0		
Interest Accrued	0	0	0	0	0	0	0	0	0	0	0		
Loan Payback	0	0	0	0	0	0	0	0	0	0	0		

TABLE 11C
DEVELOPMENTAL APPROACH ASSUMPTIONS & CONCLUSIONS
RORIPAUGH RANCH, PHASE II
Planning Area 16 (5,000 SF)

Months Per Period	3	Development Costs Per Period		
Closings Begin Period...	2			
Presales	6.0%	<u>Period</u>	<u>Site Costs</u>	<u>Construction</u>
Absorption (Units/Month)*	3.0	1	0.00%	7.14%
Total Units	121	2	0.00%	7.14%
Average Sale Price	\$397,500	3	0.00%	7.14%
Annual Appreciation	0.00%	4	0.00%	7.14%
Beginning Period	1	5	0.00%	7.14%
Sales & Marketing	6.00%	6	0.00%	7.14%
General & Administrative	3.00%	7	0.00%	7.14%
Tax Rate	2.000000%	8	0.00%	7.14%
Additional Assesmts./Unit/Yr.	\$0	9	0.00%	7.14%
HOA Fee (Per unit/mo.)	\$125	10	0.00%	7.14%
Average Units/Phase	8	11	0.00%	7.14%
Site Costs (Current \$)	\$0	12	0.00%	7.14%
Construction Costs (Current \$)	\$22,310,000	13	0.00%	7.14%
Annual Cost Inflation	0.00%	14	0.00%	7.14%
Beginning Period	1	15	0.00%	0.00%
Maximum Loan (% Cost)	0.00%	16	0.00%	0.00%
Land Draw	\$0	17	0.00%	0.00%
Loan Interest Rate	0.00%	18	0.00%	0.00%
Points	0.00%	19	0.00%	0.00%
Loan Payback Rate	0.00%	20	0.00%	0.00%
Builder Profit	0.00%	Total	0.00%	100.00%
Discount Rate	20.00%			
Value For Tax Assessment	\$13,140,000	Concluded Value (R)	\$13,140,000	
		Concluded Value/Unit(R)	\$109,000	
Loan to Cost Ratio (Excl. Land)	0%			
Loan to Value Ratio	0%	IRR at Concluded Value	20.0%	

[illegible]

TABLE 11D
DEVELOPMENTAL APPROACH ASSUMPTIONS & CONCLUSIONS
RORIPAUGH RANCH, PHASE II
Planning Area 18 (6,000 SF)

Months Per Period	4	Development Costs Per Period		
Closings Begin Period...	2			
Presales	4.0	<u>Period</u>	<u>Site Costs</u>	<u>Construction</u>
Absorption (Units/Month)*	2.0	1	0.00%	6.25%
Total Units	121	2	0.00%	6.25%
Average Sale Price	\$425,000	3	0.00%	6.25%
Annual Appreciation	0.00%	4	0.00%	6.25%
Beginning Period	1	5	0.00%	6.25%
Sales & Marketing	6.00%	6	0.00%	6.25%
General & Administrative	3.00%	7	0.00%	6.25%
Tax Rate	2.00000%	8	0.00%	6.25%
Additional Assesmts./Unit/Yr.	\$0	9	0.00%	6.25%
HOA Fee (Per unit/mo.)	\$125	10	0.00%	6.25%
Average Units/Phase	8	11	0.00%	6.25%
Site Costs (Current \$)	\$0	12	0.00%	6.25%
Construction Costs (Current \$)	\$23,230,000	13	0.00%	6.25%
Annual Cost Inflation	0.00%	14	0.00%	6.25%
Beginning Period	1	15	0.00%	6.25%
Maximum Loan (% Cost)	0.00%	16	0.00%	6.25%
Land Draw	\$0	17	0.00%	0.00%
Loan Interest Rate	0.00%	18	0.00%	0.00%
Points	0.00%	19	0.00%	0.00%
Loan Payback Rate	0.00%	20	0.00%	0.00%
Builder Profit	0.00%	Total	0.00%	100.00%
Discount Rate	20.00%			
Value For Tax Assessment	\$11,710,000	Concluded Value (R)	\$11,710,000	
		Concluded Value/Unit(R)	\$97,000	
Loan to Cost Ratio (Excl. Land)	0%			
Loan to Value Ratio	0%	IRR at Concluded Value	20.0%	

		TABLE 11-D NONPAUGH BRANCH, PHASE 1A (CONTINUED)																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																			
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TABLE 11E
DEVELOPMENTAL APPROACH ASSUMPTIONS & CONCLUSIONS
RORIPAUGH RANCH, PHASE II
PLANNING AREA 20 (21,780-SQUARE FOOT LOTS)

Months Per Period	3	Development Costs Per Period		
Closings Begin Period...	3			
Presales	2.0	<u>Period</u>	<u>Site Costs</u>	<u>Construction</u>
Absorption (Units/Month)	1.0	1	0.00%	9.09%
Total Units	29	2	0.00%	9.09%
Average Sale Price	\$550,000	3	0.00%	9.09%
Annual Appreciation	0.00%	4	0.00%	9.09%
Beginning Period	1	5	0.00%	9.09%
Sales & Marketing	6.00%	6	0.00%	9.09%
General & Administrative	3.00%	7	0.00%	9.09%
Tax Rate	2.00000%	8	0.00%	9.09%
Additional Assesmts./Unit/Yr.	\$0	9	0.00%	9.09%
HOA Fee (Per unit/mo.)	\$125	10	0.00%	9.09%
Average Units/Phase	8	11	0.00%	9.09%
Site Costs (Current \$)	\$0	12	0.00%	0.00%
Construction Costs (Current \$)	\$6,600,000	13	0.00%	0.00%
Annual Cost Inflation	0.00%	14	0.00%	0.00%
Beginning Period	1	15	0.00%	0.00%
Maximum Loan (% Cost)	0.00%	16	0.00%	0.00%
Land Draw	\$0	17	0.00%	0.00%
Loan Interest Rate	0.00%	18	0.00%	0.00%
Points	0.00%	19	0.00%	0.00%
Loan Payback Rate	0.00%	<u>20</u>	<u>0.00%</u>	<u>0.00%</u>
Builder Profit	0.00%	Total	0.00%	100.00%
Discount Rate	20.00%			
Value For Tax Assessment	\$4,940,000	Concluded Value (R)	\$4,940,000	
		Concluded Value/Unit(R)	\$170,000	
Loan to Cost Ratio (Excl. Land)	0%			
Loan to Value Ratio	0%	IRR at Concluded Value	20.0%	

TABLE 11E HORIPAUGH RANCH, PHASE II (CONTINUED)													
Quarter	1	2	3	4	5	6	7	8	9	10	11	12	Total
Units Sold	0.0	0.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	28
Total Units Sold	0.0	0.0	2.0	5.0	8.0	11.0	14.0	17.0	20.0	23.0	26.0	28.0	28
Remaining Inventory	29.0	29.0	27.0	24.0	21.0	18.0	15.0	12.0	9.0	6.0	3.0	0.0	
Average Sales Price	0	0	\$1,100,000	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000	\$550,000
Gross Sales Revenue	\$0	\$0	\$1,100,000	\$1,650,000	\$1,650,000	\$1,650,000	\$1,650,000	\$1,650,000	\$1,650,000	\$1,650,000	\$1,650,000	\$1,650,000	\$15,950,000
Sale Costs	0	0	0	0	0	0	0	0	0	0	0	0	0
Construction Costs	0	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	6,600,000
Real Estate Taxes/Unl/Period	0	24,700	24,700	22,047	20,441	17,886	15,331	12,776	10,221	7,666	5,110	2,555	189,033
HOA Fees/Unl/Period	0	0	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,125	14,625
Marketing & Sales	0	0	0	0	89,000	89,000	89,000	89,000	89,000	89,000	89,000	89,000	897,000
General & Administrative	0	0	0	0	49,500	49,500	49,500	49,500	49,500	49,500	49,500	49,500	495,000
Costs Excluding Financing & Profit	\$0	\$624,700	\$624,700	\$772,997	\$770,441	\$767,886	\$765,331	\$762,776	\$760,221	\$757,666	\$755,110	\$752,555	\$8,239,208
Cash Flow Before Financing & Profit	\$0	(\$624,700)	(\$624,700)	\$877,003	\$879,559	\$882,114	\$884,669	\$887,224	\$889,779	\$892,334	\$894,890	\$1,497,820	\$7,710,792
Loan Draw	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan Payback (Calculations Below)	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash Flow Before Profit	\$0	(\$624,700)	(\$624,700)	\$877,003	\$879,559	\$882,114	\$884,669	\$887,224	\$889,779	\$892,334	\$894,890	\$1,497,820	\$7,710,792
Builder Profit	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash Flow	\$0	(\$624,700)	(\$624,700)	\$877,003	\$879,559	\$882,114	\$884,669	\$887,224	\$889,779	\$892,334	\$894,890	\$1,497,820	\$7,710,792
Discount Factor	1.07000	0.95238	0.89384	0.82270	0.76353	0.70622	0.65068	0.59684	0.54461	0.49391	0.44468	0.39684	
Discounted Cash Flow	\$0	(\$594,852)	(\$566,621)	\$721,513	\$669,137	\$659,247	\$628,718	\$600,508	\$573,560	\$547,015	\$523,223	\$494,042	\$4,939,977
PV of Remaining Cash Flows	\$4,939,977	\$5,810,626	\$624,700	(\$877,003)	(\$879,559)	(\$882,114)	(\$884,669)	(\$887,224)	(\$889,779)	(\$892,334)	(\$894,890)	(\$1,497,820)	\$170,310
Loan Calculations													
Land Draw	0	0	0	0	0	0	0	0	0	0	0	0	\$0
Construction Draw/Loan Draw	0	0	0	0	0	0	0	0	0	0	0	0	\$0
Total Loan Draw	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Mortgage Balance (End of Period)	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest Accrued	0	0	0	0	0	0	0	0	0	0	0	0	0
Loan Payback	0	0	0	0	0	0	0	0	0	0	0	0	\$0

*Michael Frauenthal & Associates, Inc.**Appraisal of Roripaugh Ranch, Phase II, Temecula, CA*

The two approaches result in relatively narrow value ranges and are both based on recent, comparable data, and considered reliable. We have given equal consideration to both approaches with slightly more weight given the sales comparison approach because of the recency of the land sales data for Planning Areas 14, 16, 18 and 24. The land sales data used in our analysis of Planning Area 20 is dated, but the two approaches indicate a narrow value range and we estimated a mid-range value for this group of lots. The table to the right summarizes the finished lot value for each lot category.

Product	Hypothetical Finished
	Lot Value
3,150 SF	\$87,000
4,000 SF	\$89,000
5,000 SF	\$91,000
6,000 SF	\$93,000
21,780 SF	\$160,000

The subject includes two school sites, Planning Areas 28 and 29, containing 20 and 12 acres, respectively. School sites are generally purchased in a mass-graded condition with all offsite infrastructure in-place. The value of school sites is based upon the surrounding land, in the subject's case residential land. Planning Area 31 is contiguous to both Planning Areas 28 and 29, for purposes of this analysis we have estimated values of Planning Areas 28 and 29 based upon a per acre basis of Planning Area 31 assuming in a blue-topped condition.

Planning Area 31 is comprised of 3,150-square foot lots and is estimated to have the per lot value as estimated for Planning Area 14, or \$87,000 per finished lot. Site development costs to improve Planning Area 31 from a blue-topped to finished status have been estimated at \$22,845 per lot. Deducting the estimated site development cost from the finished lot value results in a blue-topped value estimate of \$64,155 per lot. Planning Area 31 includes 164 lots when multiplied by \$64,155 per lot results in an overall value estimate of \$10,521,420. Planning Area 31 includes 24.6 acres. Dividing the overall estimated blue-topped value for Planning Area 31 by the site area results in a price of \$427,700.

Based upon a price per acre of \$427,700, we have estimated a value of \$8,555,000 (rounded) and \$5,130,000 (rounded) for Planning Areas 28 and 29, respectively. The following *Table 12* summarizes the prospective finished lot values for the subject Planning Areas, expected to occur by December 31, 2009.

TABLE 12
FINISHED LOT VALUE BY PLANNING AREA
RORIPAUGH RANCH, PHASE II

<u>Planning Area</u>	<u>Lot Size (SF)</u>	<u>Finished Lot Value</u>	<u>Number of Lots</u>	<u>Finished Lot Value</u>
Planning Area 14	3,150	\$87,000	77	\$6,699,000
Planning Area 15	3,150	\$87,000	104	\$9,048,000
Planning Area 16	5,000	\$91,000	121	\$11,011,000
Planning Area 17	6,000	\$93,000	147	\$13,671,000
Planning Area 18	6,000	\$93,000	121	\$11,253,000
Planning Area 19	21,780	\$160,000	26	\$4,160,000
Planning Area 20	21,780	\$160,000	29	\$4,640,000
Planning Area 21	21,780	\$160,000	24	\$3,840,000
Planning Area 22	3,150	\$87,000	126	\$10,962,000
Planning Area 23	4,000	\$89,000	51	\$4,539,000
Planning Area 24	4,000	\$89,000	71	\$6,319,000
Planning Area 28	N/A	N/A	N/A	\$8,555,000
Planning Area 29	N/A	N/A	N/A	\$5,130,000
Planning Area 31	3,150	\$87,000	164	\$14,268,000
Total			1,061	\$114,095,000

Michael Frauenthal & Associates, Inc.

Appraisal of Roripaugh Ranch, Phase II, Temecula, CA

DISCOUNTED CASH FLOW ANALYSIS

In the preceding pages, we estimated finished lot values for each of the subject Planning Areas. In this section of the appraisal, we have combined these values into a discounted cash flow analysis to value the entire subject property "as is" as well as the bulk blue-topped lot values for the 1,061 subject lots.

The general concept is similar to that employed in the developmental analysis of the individual tracts, i.e., estimating the magnitude and timing of future cash flows and discounting them to a present value at an appropriate discount rate. The primary differences are (1) unlike the previous model, which assumes that site development is completed, the model takes into account the expenditures required to improve the property from its current condition to a finished lot status, and (2) the return requirements for a development of this type are higher than required for a single tract.

ASSUMPTIONS

In addition to the difference in the way developer profit is handled, other assumptions underlying the models are discussed briefly below.

- Revenues represent land sales to builders, rather than individual home sales. These revenues equal the overall blue-topped value as of the anticipated delivery date for each Planning Area for the "as is" and blue-topped valuation. The blue-topped values (revenues) for each of the subject Planning Areas is summarized in the following *Table 13*.
- We have included CFD reimbursements as a revenue item in an analysis of the property in an "as is" and assuming completion to a blue-topped status. Typically CFD reimbursements lag behind the expenditure of site development costs. We have allowed a two period lag time between the site development expenditures and the receipt of the CFD reimbursements.
- The subject lots have been bulk graded with backbone streets cut, required bridges constructed and utilities under construction; however, completion of the site development work has been stalled. Because of pending litigation completion of the project will be delayed for an undetermined amount of time. We have assumed that lot sales will potentially begin in August 2009 or in the 5th period. This assumption considers that sales will occur prior to site development being completed. We have assumed an absorption rate of one to two planning areas per quarter depending on the number of lots.

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TABLE 13
Lot Sales Revenues Assuming CFD

Planning Area	Lot Size (SF)	Finished		Builder Costs		Current		No. Lots	Total DLV
		Lot Value	Improvement	Feas	Total	Blue-topped Value			
Planning Area 14	3,150	\$87,000	\$16,000	\$7,234	\$23,234	\$63,766		77	\$4,909,982
Planning Area 15	3,150	\$87,000	\$16,000	\$7,234	\$23,234	\$63,766		104	\$6,631,664
Planning Area 16	5,000	\$91,000	\$18,000	\$11,535	\$29,535	\$61,465		121	\$7,437,265
Planning Area 17	6,000	\$93,000	\$18,000	\$12,512	\$30,512	\$62,488		147	\$9,185,736
Planning Area 18	6,000	\$93,000	\$18,000	\$12,512	\$30,512	\$62,488		121	\$7,561,048
Planning Area 19	21,780	\$160,000	\$21,000	\$13,685	\$34,685	\$125,315		26	\$3,258,190
Planning Area 20	21,780	\$160,000	\$21,000	\$13,685	\$34,685	\$125,315		29	\$3,634,135
Planning Area 21	21,780	\$160,000	\$21,000	\$13,685	\$34,685	\$125,315		24	\$3,007,560
Planning Area 22	3,150	\$87,000	\$16,000	\$7,234	\$23,234	\$63,766		126	\$8,034,516
Planning Area 23	4,000	\$89,000	\$16,000	\$8,602	\$24,602	\$64,398		51	\$3,284,298
Planning Area 24	4,000	\$89,000	\$16,000	\$8,602	\$24,602	\$64,398		71	\$4,572,258
Planning Area 28	School	N/A	N/A	N/A	N/A	N/A		N/A	\$8,555,000
Planning Area 29	School	N/A	N/A	N/A	N/A	N/A		N/A	\$5,130,000
Planning Area 31	3,150	\$87,000	\$16,000	\$7,234	\$23,234	\$63,766		164	\$10,457,624
Total								1,061	\$85,659,276

Michael Frauenthal & Associates, Inc.Appraisal of Roripaugh Ranch, Phase II, Temecula, CA

- The estimated revenues presented in the bulk value cash flows represent current market values. At the present time market indicators suggest a stabilizing market. Therefore, we have not included an appreciation factor in this analysis.
- At the time of our inspection, the subject lots were bulk-graded with backbone street cuts, required bridges constructed and utilities under construction. The remaining site development costs have been estimated at \$61,703,878 to complete the subject lots to a deliverable blue-topped status. These costs have been allocated equally over eight periods. The site development costs have been zeroed out for the bulk blue-topped value analysis.
- Property taxes are calculated by multiplying the nominal tax rate of 1.1% by the indicated value per Proposition 13, and dividing by four to reflect the quarterly period of the analysis. We have entered the special assessments of \$3,100,000 per year on a per unit basis (\$2,847) which is multiplied by the remaining lots at the end of each quarter.
- We have included sales commissions of 2.0% of revenues, assuming broker participation as well as direct sales. Also included is a 0.5% expense for legal and closing costs. The total expense for marketing and sales is 2.5% of revenues.
- We have run our cash flow analysis on an all cash basis.

Discount Rate

The final step in constructing the discounted cash flow tables is selecting an appropriate discount rate. Discount rates for large-scale land development projects are typically higher than for construction, to reflect the potential for additional risks. First, the exposure to *market risk* may be greater, as 1,061 residential lots will take longer to sell than 40 or 50 lots, increasing the odds that some of the planning areas will have to be sold during a down market. Given the weakness in the housing market, market risk is considered to be a concern for the subject.

Secondly, the land developer is typically exposed to *development risk* due to the large-scale project; however, the site has been graded, bridges constructed and utilities are under construction reducing the element of development risk for the subject property.

Other risks including *entitlement and environmental risk* have also been overcome; however, the subject development is currently embroiled in pending litigation with the city of Temecula. The timing of settlement of the legal issues is uncertain.

Michael Frauenthal & Associates, Inc.Appraisal of Roripaugh Ranch, Phase II, Temecula, CA

Even though the subject is temporarily tied up in legal matters, the primary risk for the development is considered to be market risk. The current weakened condition of the housing market is anticipated to continue for the next two to three years while builders reduce existing inventory of homes and lots. The subject development is nearing a deliverable state even though there are extensive site development costs remaining. A high percentage of the remaining costs are allocated towards common area development including recreation facilities, including clubhouse and pools, sports complex and neighborhood parks. We feel a discount rate of 25% is appropriate for the subject property. We have reduced the discount rate to 22% for the bulk blue-topped lot valuation as most of the risk has been overcome by this point.

VALUE CONCLUSIONS ASSUMING CFD REIMBURSEMENTS

The following *Table 14* summarizes the "as is" value analysis for the subject property assuming CFD reimbursement, as of May 28, 2008 and indicates a value of:

\$15,300,000

FIFTEEN MILLION THREE HUNDRED THOUSAND DOLLARS

The following *Table 15* summarizes the prospective bulk blue-topped lot value for the 1,061 lots including CFD reimbursements, as of August 31, 2009 and indicates a value of:

\$78,300,000

SEVENTY-EIGHT MILLION THREE HUNDRED THOUSAND DOLLARS

VALUE CONCLUSIONS ASSUMING NO CFD REIMBURSEMENTS

We have been asked to provide "as is" and bulk blue-topped value estimates assuming no CFD reimbursements. This assumption requires adjustments to previous assumptions. First, lot sale revenues require adjustment because of reduced property taxes. If there are no CFD assessments, home prices generated will be higher because of the reduced tax liability. Generally speaking, higher home prices result in higher finished lot values. We have adjusted the blue-topped lot sales revenues based upon 50% of the present value of the monthly payment difference with and without CFD assessments discounted at 7.0% for a 30 year period. The adjusted revenues are summarized in the following *Table 16*.

The second adjustment is for the tax rate itself. The prior analyses assume a 1.1% nominal tax rate plus \$2,847 per unit per year. Assuming no CFD eliminates the \$2,847 per unit per year, but

[illegible]

[illegible]

TABLE 16
Lot Sales Revenues Assuming No CFD

Planning Area	Lot Size (SF)	Finished		Builder Costs		Current Blue-topped Value	No. Lots	Total DLV
		Lot Value	Improvement	Fees	Total			
Planning Area 14	3,150	\$102,000	\$16,000	\$7,234	\$23,234	\$78,766	77	\$6,064,982
Planning Area 15	3,150	\$102,000	\$16,000	\$7,234	\$23,234	\$78,766	104	\$8,191,664
Planning Area 16	5,000	\$111,000	\$18,000	\$11,535	\$29,535	\$81,465	121	\$9,857,265
Planning Area 17	6,000	\$114,000	\$18,000	\$12,512	\$30,512	\$83,488	147	\$12,272,736
Planning Area 18	6,000	\$114,000	\$18,000	\$12,512	\$30,512	\$83,488	121	\$10,102,048
Planning Area 19	21,780	\$187,500	\$21,000	\$13,685	\$34,685	\$152,815	26	\$3,973,190
Planning Area 20	21,780	\$187,500	\$21,000	\$13,685	\$34,685	\$152,815	29	\$4,431,635
Planning Area 21	21,780	\$187,500	\$21,000	\$13,685	\$34,685	\$152,815	24	\$3,667,560
Planning Area 22	3,150	\$102,000	\$16,000	\$7,234	\$23,234	\$78,766	126	\$9,924,516
Planning Area 23	4,000	\$105,500	\$16,000	\$8,602	\$24,602	\$80,898	51	\$4,125,798
Planning Area 24	4,000	\$105,500	\$16,000	\$8,602	\$24,602	\$80,898	71	\$5,743,758
Planning Area 28	School	N/A	N/A	N/A	N/A	N/A	N/A	\$10,554,000
Planning Area 29	School	N/A	N/A	N/A	N/A	N/A	N/A	\$6,332,400
Planning Area 31	3,150	\$102,000	\$16,000	\$7,234	\$23,234	\$78,766	164	\$12,917,624
Total							1,061	\$108,159,176

Michael Frauenthal & Associates, Inc.

Appraisal of Roripaugh Ranch, Phase II, Temecula, CA

the nominal tax rate will most likely increase slightly to 1.2%.

The following *Table 17* summarizes the "as is" value analysis for the subject property assuming no CFD reimbursement, as of May 28, 2008 and indicates a value of:

\$15,600,000

FIFTEEN MILLION SIX HUNDRED THOUSAND DOLLARS

The following *Table 18* summarizes the prospective bulk blue-topped lot value for the 1,061 lots assuming no CFD reimbursements, as of August 31, 2009 and indicates a value of:

\$82,200,000

EIGHTY-TWO MILLION TWO HUNDRED THOUSAND DOLLARS

REASONABLE EXPOSURE AND MARKETING TIME

Demand for residential development land in the subject market area fell significantly during 2007. However, towards the end of the year when land owners began reducing their inventories, buy and hold investors were contracting purchases far below previous price levels. During the past six months land sales activity has increased, but the primary buyers plan to hold onto the land for a three to four year time frame. These investors prefer land at least partially improved and are acquiring the sites for less than cost incurred to date. When the housing market improves, the lots they're holding will be further along in the development process and should be in higher demand. Considering the entitlement and development status of the subject project, as well as the city of Temecula deciding to undertake completion of Butterfield Stage Road, a major hurdle for the subject development, we feel that the property is sufficiently desirable to current investors "as is" within a 12-month time frame. This conclusion applies both retrospectively (*exposure time*) and prospectively (*marketing time*).

[illegible]

[illegible]

Michael Frauenthal & Associates, Inc.Appraisal of Roripnugh Ranch, Phase II, Temecula, CA**INVESTMENT VALUE**

Per your request, we are providing an estimate of the investment value of the subject property to AmTrust Bank. Investment value is defined as the specific value of a property to a particular investor or class of investors based on individual investment requirements; [it is] distinguished from market value, which is impersonal and detached. (Source: The Appraisal of Real Estate, 12th Edition, published by the Appraisal Institute)

To estimate investment value, we have first estimated the implied future market value of the subject property by applying investors' yield and holding period expectations to the current market value from The Appraisal Report. The implied future market value is then brought back to a current investment value using a discount rate specified by AmTrust Bank.

Current investment criteria for two investors actively seeking residential land in the Antelope Valley are summarized below:

Contact	Anticipated Annual Yield	Holding Period
Investor 1	15%-20%	2-3 years
Investor 2	20%	4 years

The first investor represents a fund with \$100 million to spend on residential land in Southern California, with a commitment for an additional \$150 million. As shown in the table, this investor anticipates a 2-3 year holding period and seeks an annual return of 15% to 20%. The second investor is an individual who expects to generate returns on the order of 20% per year over a 4-year holding period.

Because the subject property is embroiled in pending litigation with significant remaining site development costs, we have assumed a holding period at the upper end of the range projected by the two investors, or 4 years. For the same reasons, we have assumed a 20% annual yield, also at the upper end of the range. Applying these assumptions to the "as is" market value estimate results in the following implied future market value:

Current "As Is Market Value	\$15,300,000
Annual Required Yield	20%
Holding Period (Years)	4
Future Value Factor	2.0736
Implied Future Market Value	\$31,726,080

Michael Frauenthal & Associates, Inc.Appraisal of Roripaugh Ranch, Phase II, Temecula, CA

To discount the implied future market value back to the present investment value to AmTrust Bank, we have used the Office of Thrift Supervision's Cost of Funds Index for the 1st quarter of 2008, 3.59%. To this, we have added the nominal property tax rate of 1.1%, plus 1.0% for insurance and miscellaneous expenses, to arrive at a "loaded" discount rate of 5.75% (rounded). The "loaded" discount rate does not account for the additional direct CFD carrying cost. Assuming the property is held for four years, the investor would incur an additional cost of \$12,082,668 (1,061 lots multiplied by \$2,847 per lot multiplied by four years). The future market value estimated above less the additional direct CFD carrying costs are discounted at the loaded rate for the projected 4-year holding period to arrive at the current investment value to AmTrust Bank:

Future Market Value Before Direct Carry	\$31,726,080
Less: Direct CFD Carrying Costs	(\$12,082,668)
Implied Future Market Value	\$19,643,412
AmTrust Bank Loaded Discount Rate (R)	5.75%
Holding Period (Years)	4
Present Value Factor	0.79961
AmTrust Bank Investment Value (6/6/08)	\$15,707,069
AmTrust Bank Investment Value Rounded	\$15,710,000

We have been asked to provide the Investment Value to AmTrust Bank assuming no CFD. We have utilized the same assumptions with the exception of the beginning "as is" value which is \$13,800,000 and there are no direct carrying costs. The investment value to AmTrust Bank assuming no CFD is estimated below:

"As Is" Market Value	\$15,600,000
Future Value Factor	2.0736
Implied Future Market Value	\$32,348,160
Present Value Factor	0.79961
AmTrust Bank Investment Value No CFD (6/6/08)	\$25,865,912
AmTrust Bank Investment Value Rounded	\$25,865,000

Michael Frauenthal & Associates, Inc.

Appraisal of Roripaugh Ranch, Phase II, Temecula, CA

ADDENDA

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Michael Frauenthal & Associates, Inc.

Appraisal of Roripaugh Ranch, Phase II, Temecula, CA

ADDENDA

ENGAGEMENT LETTER

TITLE REPORT

CONSTRUCTION BUDGETS

TRACT MAPS

OVERALL PROPERTY PURCHASE PRICE MATRIX (SCHEDULE I)

OVERALL PROPERTY PURCHASE PRICE MATRIX (SCHEDULE I-A)

LAND SALE DATA SHEETS

COMPARABLE PROJECT PHOTOGRAPHS

CERTIFICATION

PROFESSIONAL QUALIFICATIONS OF:

MICHAEL F. FRAUENTHAL, MAI

NICK WALKER, ASSOCIATE

Appraisal Request: Roripaugh Ranch

Page 1 of 2

Mike Frauenthal

08-156

From: Tomak, Scott [STomak@amtrust.com]
Sent: Friday, April 11, 2008 1:22 PM
To: mikef@frauenthal.com
Subject: RE: Appraisal Request: Roripaugh Ranch

Thanks Mike,

Please proceed and let me know you have received this request. When complete please send the appraisal and invoice to me. Thanks

Scott Tomak
AmTrust Bank
Appraisal Department
1801 E. Ninth St.
Cleveland, OH 44114
Phone: 216-588-4607
Fax: 216-588-8706

From: Mike Frauenthal [mailto:mikef@frauenthal.com]
Sent: Thursday, April 10, 2008 3:15 PM
To: Tomak, Scott
Subject: RE: Appraisal Request: Roripaugh Ranch

Scott, I bid \$17,500 for this assignment with a 6 week turnaround. As you are probably aware, residential land values in this area have decreased as a result of reduced demand for housing.

Michael Frauenthal
Michael Frauenthal & Associates, Inc.
24662 Del Prado 2nd Floor
Dana Point, CA 92629
Phone # (949) 496-1676
Fax # (949) 489-1745

From: Tomak, Scott [mailto:STomak@amtrust.com]
Sent: Thursday, April 10, 2008 9:40 AM
To: mikef@frauenthal.com
Subject: Appraisal Request: Roripaugh Ranch

Hi Mike,

Please provide a fee quote and turn time for a self-contained appraisal, employing all of the applicable approaches to value of the property described a Roripaugh Ranch in Temecula, CA. You previously appraised this property for us 3/8/2007.

4/11/2008

Exhibit 1-00141

Order No. R-192289-4

**ORANGE COAST TITLE BUILDER SERVICES**

1955 HUNTS LANE, 2ND FLOOR
 SAN BERNARDINO, CALIFORNIA 92408
 (909) 825-8800

UPDATED	PRELIMINARY REPORT
---------	--------------------

ASBY USA
 470 B. HARRISON STREET
 CORONA, CA 92870

ATTENTION: PETE OLAH

YOUR NO.: TT 29353
 958-260-022
 ORDER NO: R-192289-4

DATED: FEBRUARY 6, 2007

IN RESPONSE TO THE ABOVE REFERENCED APPLICATION FOR A POLICY OF TITLE INSURANCE, ORANGE COAST TITLE BUILDER SERVICES HEREBY REPORTS THAT IT IS PREPARED TO ISSUE, OR CAUSE TO BE ISSUED, AS OF THE DATE HEREOF, A POLICY OR POLICIES OF TITLE INSURANCE DESCRIBING THE LAND AND THE ESTATE OR INTEREST THEREIN HEREINAFTER SET FORTH, INSURING AGAINST LOSS WHICH MAY BE SUSTAINED BY REASON OF ANY DEFECT, LIEN OR ENCUMBRANCE NOT SHOWN OR REFERRED TO AS AN EXCEPTION BELOW OR NOT EXCLUDED FROM COVERAGE PURSUANT TO THE PRINTED SCHEDULES, CONDITIONS AND STIPULATIONS OF SAID POLICY FORMS.

THE PRINTED EXCEPTIONS AND EXCLUSIONS FROM THE COVERAGE OF SAID POLICY OR POLICIES ARE SET FORTH IN EXHIBIT A ATTACHED. COPIES OF THE POLICY FORMS SHOULD BE READ. THEY ARE AVAILABLE FROM THE OFFICE, WHICH ISSUED THIS REPORT.

PLEASE READ THE EXCEPTIONS SHOWN OR REFERRED TO BELOW AND THE EXCEPTIONS AND EXCLUSIONS SET FORTH IN EXHIBIT A OF THIS REPORT CAREFULLY. THE EXCEPTIONS AND EXCLUSIONS ARE MEANT TO PROVIDE YOU WITH NOTICE OF MATTERS, WHICH ARE NOT COVERED UNDER THE TERMS OF THE TITLE INSURANCE POLICY AND SHOULD BE CAREFULLY CONSIDERED.

IT IS IMPORTANT TO NOTE THAT THIS PRELIMINARY REPORT IS NOT A WRITTEN REPRESENTATION AS TO THE CONDITION OF TITLE AND MAY NOT LIST ALL LIENS, DEFECTS, AND ENCUMBRANCES AFFECTING TITLE TO THE LAND.

THIS REPORT (AND ANY SUPPLEMENTS OR AMENDMENTS HERETO) IS ISSUED SOLELY FOR THE PURPOSE OF FACILITATING THE ISSUANCE OF A POLICY OF TITLE INSURANCE AND NO LIABILITY IS ASSUMED HEREBY. IF IT IS DESIRED THAT LIABILITY BE ASSUMED PRIOR TO THE ISSUANCE OF A POLICY OF TITLE INSURANCE, A BINDER OR COMMITMENT SHOULD BE REQUESTED.

THE POLICY OR POLICIES OF TITLE INSURANCE CONTEMPLATED BY THIS REPORT WILL BE ISSUED BY FIRST AMERICAN TITLE INSURANCE COMPANY.

DATED AS OF JANUARY 30, 2007 AT 7:30 A.M.

HELEN JOHNSON
 TITLE OFFICER
 HELEN@OCTITLE.COM
 FAX (909) 370-2132

THE FORM OF POLICY OF TITLE INSURANCE CONTEMPLATED BY THIS REPORT IS:

"A SUBDIVISION GUARANTEE"

- 1 -

Order No. R-192289-4

SCHEDULE "A"

THE ESTATE OR INTEREST IN THE LAND HEREINAFTER DESCRIBED OR REFERRED TO COVERED BY THIS REPORT IS:

A FEE

TITLE TO SAID ESTATE OR INTEREST AT THE DATE HEREOF IS VESTED IN:

ASBY USA, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY

THE LAND REFERRED TO IN THIS REPORT IS SITUATED IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

SEE ATTACHED EXHIBIT "A"

Order No. R-192289-4

SCHEDULE "B"

AT THE DATE HEREOF EXCEPTION TO COVERAGE IN ADDITION TO THE PRINTED EXCEPTIONS AND EXCLUSION CONTAINED IN SAID POLICY FORM WOULD BE AS FOLLOWS:

- A. GENERAL AND SPECIAL TAXES FOR THE FISCAL YEAR 2007-2008, INCLUDING ANY ASSESSMENTS COLLECTED WITH TAXES. A LIEN NOT YET PAYABLE.
- B. SECOND INSTALLMENT GENERAL AND SPECIAL TAXES FOR THE FISCAL YEAR 2006-2007, INCLUDING ANY ASSESSMENTS COLLECTED WITH TAXES.
- | | |
|-----------------|---------------------------|
| 1ST INSTALLMENT | \$1,241,496.60 PAID |
| 2ND INSTALLMENT | \$1,241,496.60 OPEN |
| PENALTY | \$124,169.66 (AFTER 4-10) |
| CODR AREA | 013-116 |
| PARCEL NO. | 964-180-013-4 |
| EXEMPTION | NONE |
- C. AN INSTRUMENT, UPON THE TERMS AND CONDITIONS CONTAINED THEREIN ENTITLED: PROPOSED BOUNDARIES OF TEMECULA PUBLIC FINANCING AUTHORITY COMMUNITY FACILITIES DISTRICT NO. 03-02 (RORIPAUGH RANCH) RIVERSIDE COUNTY, STATE OF CALIFORNIA
- DATED: AUGUST 24, 2004
- EXECUTED BY AND BETWEEN: TEMECULA PUBLIC FINANCING AUTHORITY
- RECORDED: AUGUST 31, 2004 IN BOOK 58 PAGE 31 OF MAPS OF ASSESSMENT AND COMMUNITY FACILITIES DISTRICTS, IN THE OFFICE OF THE COUNTY RECORDER IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA AND AS INSTRUMENT NO. 2004-0691181, OFFICIAL RECORDS
- D. SPECIAL TAX FOR COMMUNITY FACILITIES DISTRICT NO. 03-02, AS FOLLOWS:
- TYPE OF IMPROVEMENT: STREETS
- NOTICE OF SPECIAL TAX
- LIEN RECORDED: JANUARY 14, 2005, AS INSTRUMENT NO. 0039138, OF OFFICIAL RECORDS.
- SAID SPECIAL TAX IS COLLECTED WITH TAXES.
- FURTHER INFORMATION MAY BE OBTAINED BY CONTACTING: THE TREASURER OF THE TEMECULA PUBLIC FINANCING AUTHORITY, TEMECULA PUBLIC FINANCING AUTHORITY, 43200 BUSINESS PARK DRIVE, TEMECULA, CA 92590, TELEPHONE NUMBER (909) 694-6430
- E. THE LIEN OF SUPPLEMENTAL TAXES, IF ANY, ASSESSED PURSUANT TO THE PROVISIONS OF SECTION 75, ET SEQ. OF THE REVENUE AND TAXATION CODE OF THE STATE OF CALIFORNIA.
- I) THE TERMS, COVENANTS AND PROVISIONS OF THAT CERTAIN DEVELOPMENT AGREEMENT, EXECUTED BY AND BETWEEN CITY OF TEMECULA AND ASHBY USA, LLC, RECORDED JANUARY 9, 2003, AS INSTRUMENT NO. 2003-018567, OF OFFICIAL RECORDS, AND THE EFFECT OF ANY FAILURE TO COMPLY WITH SAME.

AN INSTRUMENT DECLARING A MODIFICATION THEREOF WAS RECORDED NOVEMBER 3, 2004 AS INSTRUMENT NO. 2004-0874441, OFFICIAL RECORDS.

Order No. R-192289-4

- 2) COVENANTS, CONDITIONS AND RESTRICTIONS IN AN INSTRUMENT RECORDED MAY 15, 2003 AS INSTRUMENT NO. 2003-351750, OFFICIAL RECORDS, WHICH PROVIDE THAT A VIOLATION THEREOF SHALL NOT DEFEAT OR RENDER INVALID THE LIEN OF ANY MORTGAGE OR DEED OF TRUST MADE IN GOOD FAITH AND FOR VALUE, BUT OMITTING ANY COVENANTS OR RESTRICTIONS, IF ANY, BASED UPON RACE, COLOR, RELIGION, SEX, HANDICAP, FAMILIAL STATUS, OR NATIONAL ORIGIN UNLESS AND ONLY TO THE EXTENT THAT SAID COVENANT (A) IS EXEMPT UNDER CHAPTER 42, SECTION 3607 OF THE UNITED STATES CODE OR (B) RELATES TO HANDICAP BUT DOES NOT DISCRIMINATE AGAINST HANDICAPPED PERSONS.

"NOTE: SECTION 12956.1 OF THE GOVERNMENT CODE PROVIDE THE FOLLOWING: IF THIS DOCUMENT CONTAINS ANY RESTRICTION BASED ON RACE, COLOR, RELIGION, SEX, FAMILIAL STATUS, MARITAL STATUS, DISABILITY, NATIONAL ORIGIN, OR ANCESTRY, THAT RESTRICTION VIOLATES STATE AND FEDERAL FAIR HOUSING LAWS AND IS VOID, AND MAY BE REMOVED PURSUANT TO SECTION 12956.1 OF THE GOVERNMENT CODE. LAWFUL RESTRICTION UNDER STATE AND FEDERAL LAW ON THE AGE OF OCCUPANTS IN SENIOR HOUSING FOR OLDER PERSONS SHALL NOT BE CONSTRUED AS RESTRICTION BASED ON FAMILIAL STATUS."

- 3) AN INSTRUMENT, UPON THE TERMS AND CONDITIONS CONTAINED THEREIN
 ENTITLED: LICENSE AGREEMENT BETWEEN THE CITY OF TEMECULA AND ASHBY USA, LLC FOR ACCESS TO FIRE STATION PROPERTY
 DATED: DECEMBER 29, 2004
 EXECUTED BY AND BETWEEN: CITY OF TEMECULA, A MUNICIPAL CORPORATION AND ASHBY USA, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY
 RECORDED: APRIL 28, 2005 AS INSTRUMENT NO. 2005-0337000, OFFICIAL RECORDS
- 4) THE EFFECT OF A RECORD OF SURVEY ON FILE IN BOOK 61, PAGE 10 AND IN BOOK 87, PAGE 28, BOTH OF RECORDS OF SURVEY, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA
- 5) A DEED OF TRUST TO SECURE AN INDEBTEDNESS OF
 AMOUNT: \$(NOT SET OUT)
 TRUSTOR: ASHBY USA, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY
 TRUSTEE: ORANGE COAST TITLE COMPANY, A CALIFORNIA CORPORATION
 BENEFICIARY: GRC DEVELOPMENT COMPANY, L.P., A CALIFORNIA LIMITED PARTNERSHIP
 DATED: OCTOBER 5, 2001
 RECORDED: OCTOBER 9, 2001 AS INSTRUMENT NO. 01-488798 AND RE-RECORDED JANUARY 4, 2002, AS INSTRUMENT NO. 02-007509, BOTH OF OFFICIAL RECORDS

AN AGREEMENT MODIFYING SAID DEED OF TRUST WAS RECORDED MAY 30, 2003 AS DOCUMENT NO. 2003-392072, OFFICIAL RECORDS.

DATED: MAY 29, 2003.
 EXECUTED BY: ASHBY USA, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY AND GRC DEVELOPMENT COMPANY, L.P., A CALIFORNIA LIMITED PARTNERSHIP.

THE LIEN OR CHARGE OF SAID DEED OF TRUST WAS SUBORDINATED TO THE LIEN OR CHARGE OF THE DEED OF TRUST RECORDED NOVEMBER 13, 2003 AS INSTRUMENT NUMBER 2003-895581 OFFICIAL RECORDS.

BY AGREEMENT

RECORDED: NOVEMBER 13, 2003 AS DOCUMENT NO. 2003-895579, OFFICIAL RECORDS.

SAID MATTER AFFECTS THE HEREIN DESCRIBED AND OTHER LAND.

- 6) A DEED OF TRUST TO SECURE AN INDEBTEDNESS OF
 AMOUNT: \$4,250,000.00
 TRUSTOR: ASHBY USA, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY
 TRUSTEE: ORANGE COAST TITLE COMPANY
 BENEFICIARY: USA INVESTMENT PARTNERS, LLC, A NEVADA LIMITED LIABILITY COMPANY
 DATED: MAY 1, 2001
 RECORDED: MARCH 21, 2002 AS INSTRUMENT NO. 02-143547, OFFICIAL RECORDS

THE LIEN OR CHARGE OF SAID DEED OF TRUST WAS SUBORDINATED TO THE LIEN OR CHARGE OF THE DEED OF TRUST RECORDED NOVEMBER 13, 2003 AS INSTRUMENT NUMBER 2003-895581 OFFICIAL RECORDS.

BY AGREEMENT

RECORDED: NOVEMBER 13, 2003 AS DOCUMENT NO. 2003-895580, OFFICIAL RECORDS.

- 4 -

Order No. R-192289-4

SAID MATTER AFFECTS THE HEREIN DESCRIBED LAND AND OTHER LAND.

- 7) THE FACT THAT SAID LAND IS WITHIN THE BOUNDARIES OF THE SOUTHWEST AREA ROAD AND BRIDGE DISTRICT, AS DISCLOSED BY DOCUMENT RECORDED JULY 12, 2002, AS INSTRUMENT NO. 02-382638, OFFICIAL RECORDS.
- 8) THE TERMS, COVENANTS AND PROVISIONS OF THAT CERTAIN DEVELOPMENT AGREEMENT, EXECUTED BY AND BETWEEN CITY OF TEMECULA AND ASHBY USA, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY, RECORDED JANUARY 9, 2003, AS INSTRUMENT NO. 2003-018567, OF OFFICIAL RECORDS, AND THE EFFECT OF ANY FAILURE TO COMPLY WITH SAME.
- 9) THE FACT THAT SAID LAND IS WITHIN THE BOUNDARIES OF CITY OF TEMECULA, TEMECULA COMMUNITY SERVICES DISTRICT COUNTY SERVICE AREA 152 RIVERSIDE COUNTY WASTE RESOURCES MANAGEMENT DISTRICT, DESIGNATED AS LAPCO 2001-22-3, AS DISCLOSED BY DOCUMENT RECORDED FEBRUARY 2, 2003, AS INSTRUMENT NO. 2003-088838, OFFICIAL RECORDS.
- 10) A PERPETUAL AIR OR FLIGHT EASEMENT SOMETIMES REFERRED TO AS AVIGATION RIGHTS IN AND TO THE AIR SPACE ABOVE THOSE PORTIONS OF PARTICULAR PLANES OR IMAGINARY SURFACES THAT OVERLIE SAID LAND AND OTHER LAND, AS PROVIDED IN AN INSTRUMENT RECORDED APRIL 28, 2003, AS INSTRUMENT NO. 2003-299715, OFFICIAL RECORDS.
- 11) COVENANTS, CONDITIONS AND RESTRICTIONS IN AN INSTRUMENT RECORDED MAY 15, 2003 AS INSTRUMENT NO. 2003-351750, OFFICIAL RECORDS, WHICH PROVIDE THAT A VIOLATION THEREOF SHALL NOT DEFEAT OR RENDER INVALID THE LIEN OF ANY MORTGAGE OR DEED OF TRUST MADE IN GOOD FAITH AND FOR VALUE, BUT OMITTING ANY COVENANTS OR RESTRICTIONS, IF ANY, BASED UPON RACE, COLOR, RELIGION, SEX, HANDICAP, FAMILIAL STATUS, OR NATIONAL ORIGIN UNLESS AND ONLY TO THE EXTENT THAT SAID COVENANT (A) IS EXEMPT UNDER CHAPTER 42, SECTION 3607 OF THE UNITED STATES CODE OR (B) RELATES TO HANDICAP BUT DOES NOT DISCRIMINATE AGAINST HANDICAPPED PERSONS.

"NOTE: SECTION 12956.1 OF THE GOVERNMENT CODE PROVIDE THE FOLLOWING: IF THIS DOCUMENT CONTAINS ANY RESTRICTION BASED ON RACE, COLOR, RELIGION, SEX, FAMILIAL STATUS, MARITAL STATUS, DISABILITY, NATIONAL ORIGIN, OR ANCESTRY, THAT RESTRICTION VIOLATES STATE AND FEDERAL FAIR HOUSING LAWS AND IS VOID, AND MAY BE REMOVED PURSUANT TO SECTION 12956.1 OF THE GOVERNMENT CODE. LAWFUL RESTRICTION UNDER STATE AND FEDERAL LAW ON THE AGE OF OCCUPANTS IN SENIOR HOUSING FOR OLDER PERSONS SHALL NOT BE CONSTRUED AS RESTRICTION BASED ON FAMILIAL STATUS."

- 12) AN INSTRUMENT, UPON THE TERMS AND CONDITIONS CONTAINED THEREIN
 ENTITLED: AGREEMENT TO DEFER COMPLETION OF CONDITIONS OF APPROVAL UNTIL AFTER RECORDATION OF FINAL MAP FOR TRACT NO. 29333-2 (RORIPAUGH RANCH SPECIFIC PLAN)
 DATED: SEPTEMBER 23, 2003
 EXECUTED BY
 AND BETWEEN: THE CITY OF TEMECULA, A MUNICIPAL CORPORATION AND ASHBY USA, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY
 RECORDED: SEPTEMBER 24, 2003 AS DOCUMENT NO. 2003-744646, OFFICIAL RECORDS
- 13) AN INSTRUMENT, UPON THE TERMS AND CONDITIONS CONTAINED THEREIN
 ENTITLED: FIRST OPERATING MEMORANDUM TO THE RECORDED DEVELOPMENT AGREEMENT BETWEEN CITY OF TEMECULA AND ASHBY USA, LLC (RORIPAUGH RANCH PROJECT)
 DATED: OCTOBER 21, 2004
 EXECUTED BY
 AND BETWEEN: CITY OF TEMECULA, A CALIFORNIA MUNICIPAL CORPORATION AND ASHBY USA, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY
 RECORDED: NOVEMBER 3, 2004 AS INSTRUMENT NO. 2004-874441, OFFICIAL RECORDS
- 14) AN INSTRUMENT, UPON THE TERMS AND CONDITIONS CONTAINED THEREIN
 ENTITLED: LICENSE AGREEMENT BETWEEN THE CITY OF TEMECULA AND ASHBY USA, LLC FOR ACCESS TO FIRE STATION PROPERTY
 DATED: DECEMBER 29, 2004
 EXECUTED BY
 AND BETWEEN: CITY OF TEMECULA, A MUNICIPAL CORPORATION AND ASHBY USA, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY
 RECORDED: APRIL 28, 2005 AS INSTRUMENT NO. 2005-0337060, OFFICIAL RECORDS

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Order No. R-192289-4

- 15) AN INSTRUMENT, UPON THE TERMS AND CONDITIONS CONTAINED THEREIN
 ENTITLED: RESOLUTION NO. 3822 A RESOLUTION OF THE BOARD OF DIRECTORS OF
 EASTERN MUNICIPAL WATER DISTRICT ANNEXING A CERTAIN PARCEL OF
 LAND TO IMPROVEMENT DISTRICT NO. U-25 OF EASTERN MUNICIPAL WATER
 DISTRICT
 DATED: SEPTEMBER 24, 2003
 EXECUTED BY
 AND BETWEEN: ASHBY USA, LLC (PETITIONER), THE OWNER OF THE INVOLVED PARCEL OF
 LAND, HAS FILED WITH THE SECRETARY OF EASTERN MUNICIPAL WATER
 DISTRICT
 RECORDED: OCTOBER 6, 2003 AS INSTRUMENT NO. 2003-785316, OFFICIAL RECORDS
- 16) AN INSTRUMENT, UPON THE TERMS AND CONDITIONS CONTAINED THEREIN
 ENTITLED: RESOLUTION NO. 3823 A RESOLUTION OF THE BOARD OF DIRECTORS OF
 EASTERN MUNICIPAL WATER DISTRICT ANNEXING A CERTAIN PARCEL OF
 LAND TO IMPROVEMENT DISTRICT NO. U-26 OF EASTERN MUNICIPAL WATER
 DISTRICT
 DATED: SEPTEMBER 24, 2003
 EXECUTED BY
 AND BETWEEN: ASHBY USA, LLC (PETITIONER), THE OWNER OF THE INVOLVED PARCEL OF
 LAND, HAS FILED WITH THE SECRETARY OF EASTERN MUNICIPAL WATER
 DISTRICT
 RECORDED: OCTOBER 6, 2003 AS INSTRUMENT NO. 2003-785317, OFFICIAL RECORDS
- 17) AN INSTRUMENT, UPON THE TERMS AND CONDITIONS CONTAINED THEREIN
 ENTITLED: MEMORANDUM OF OPTION AGREEMENT
 RORIPAUGH RANCH - 1.129 LOTS / 314 ACRES
 DATED: AUGUST 2, 2005
 EXECUTED BY
 AND BETWEEN: ASHBY USA, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY AND KB HOME
 COASTAL INC., A CALIFORNIA CORPORATION
 RECORDED: AUGUST 29, 2005 AS INSTRUMENT NO. 2005-0707879 AND RE-RECORDED
 DECEMBER 15, 2006, AS INSTRUMENT NO. 2006-0922259, BOTH OF OFFICIAL
 RECORDS

SAID MATTER AFFECTS THE HEREIN DESCRIBED LAND AND OTHER LAND.

AN INSTRUMENT, UPON THE TERMS AND CONDITIONS CONTAINED THEREIN
 ENTITLED: MEMORANDUM OF AMENDED AND RESTATED OPTION AGREEMENT
 RORIPAUGH RANCH
 DATED: DECEMBER 8, 2006
 EXECUTED BY
 AND BETWEEN: ASHBY USA, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY AND KB HOME
 COASTAL INC., A CALIFORNIA CORPORATION
 RECORDED: DECEMBER 15, 2006 AS INSTRUMENT NO. 2006-0922260, OFFICIAL RECORDS

SAID MATTER AFFECTS LOTS 1 THROUGH 4 AND 6 THROUGH 11.

- 18) A DEED OF TRUST TO SECURE AN INDEBTEDNESS OF
 AMOUNT: \$6,000,000.00
 TRUSTOR: ASHBY USA, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY
 TRUSTEE: FIRST AMERICAN TITLE INSURANCE
 BENEFICIARY: OHIO SAVINGS BANK, A FEDERAL SAVINGS BANK
 DATED: AUGUST 29, 2005
 RECORDED: SEPTEMBER 2, 2005 AS INSTRUMENT NO. 2005-0730193, OFFICIAL RECORDS.

SAID MATTER AFFECTS THE HEREIN DESCRIBED LAND AND OTHER LAND.

AN AGREEMENT MODIFYING SAID DEED OF TRUST WAS RECORDED MARCH 3, 2006 AS INSTRUMENT NO.
 2006-0157604, OFFICIAL RECORDS.
 DATED: FEBRUARY 14, 2006.
 EXECUTED BY: ASHBY USA, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY AND OHIO
 SAVINGS BANK, A FEDERAL SAVINGS BANK.